

**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the Matter of)	
)	
The Effect of Foreign Mobile)	IB Docket No. 04-398
Termination Rates on)	
U.S. Customers)	

REPLY COMMENTS OF VERIZON¹

The comments in this proceeding make clear that foreign mobile termination rates are declining. In addition, independent telecommunications regulators in many countries actively oversee these rates. By contrast, the record contains no evidence of any discrimination against U.S. customers. In these circumstances, there is no need for the Commission to regulate foreign mobile termination rates. Instead, the Commission should work with foreign regulators and monitor this area to ensure that these positive trends continue. In addition, the Commission should focus on educating U.S. consumers.

1. The record contains substantial evidence that foreign mobile termination rates are declining. Most commenters agree with Verizon that foreign mobile termination rates have decreased over the last four to five years. For example, CTIA reports that for nine of the top ten destinations for mobile terminated calls, average mobile termination cost fell by 50 percent between 2001 and 2003. CTIA Comments at 4-5. Telecom Italia Group and GSM Europe cite the EU Commission's 10th Implementation Report of 2004, which reported that the average termination rate for European mobile operators designated as having significant market power

¹ The Verizon 214 Licensees ("Verizon") are various subsidiaries and affiliates of Verizon Communications Inc. holding international Section 214 authorizations, listed in Attachment A.

(SMP) decreased by 14 percent over the last 12 months, while rates for non-SMP operators declined 13 percent. Telecom Italia Group Comments at 3; GSM Europe Comments at 7-8. Numerous other commenters agree. *See, e.g.*, BellSouth Comments at 17, n. 42 (regulators in Chile and Peru have mandated reductions of 35 and 30 percent, respectively); NTT DoCoMo Comments at 3 (DoCoMo has voluntarily reduced its termination rates in Japan by 84% since 1996); Government of Japan Comments at 2; Vodafone at 5, 11, Annex B.

AT&T, MCI, and Sprint do not dispute this evidence. While these companies complain that rates are not declining as fast as they would like, *see, e.g.*, AT&T Comments at 24 (complaining that regulators have taken inadequate action or postponed remedies), even they admit that termination rates have been reduced around the world. *See, e.g.*, AT&T Comments at 24-26 (noting rate reductions in Jordan, Korea, and Nigeria); Sprint Comments at 14 (a “handful of foreign regulators have begun to address” termination rates).

2. Many foreign regulators are actively overseeing mobile termination rates. AT&T claims that foreign regulatory action is insufficient to protect U.S. consumers. According to AT&T, Appendix B of the Commission’s NOI identifies only 16 countries as taking action on foreign mobile termination rates, and AT&T says there are only a few others. AT&T Comments at 23. But the Commission made no claim that Appendix B was comprehensive. In fact, independent regulators in many countries have imposed reductions on mobile termination rates or are actively engaged in doing so. Attachment B to these reply comments compiles information from the record and other sources concerning 55 countries. This information alone demonstrates that, in about one-third of the countries for which the NOI shows mobile surcharges, regulators either have taken action or can be expected to do so within the foreseeable future. While this list of 55 countries is not exhaustive, the countries on it account for

approximately 52% percent of the minutes sent from the United States to foreign destinations in 2003 (based on U.S.-billed minutes reported in the Commission's 2003 International Traffic Data, Table A1 (released January 2005)). A significant amount of the other traffic goes to destinations such as Canada, for which there have not been mobile surcharges, or to countries such as the Dominican Republic, Guatemala, India, or the Philippines, for which the mobile surcharges have been low.

Since comments were filed in this proceeding, the Italian regulator, AGCOM, published the results of its review of the mobile call termination market. AGCOM imposed rate reductions to be implemented in 2005, 2006, and 2007 on three of the four mobile operators in Italy. *See* Attachment B at 5.

This trend toward oversight by independent foreign regulators is reinforced by actions of a number of key intergovernmental organizations. For example, in December 2003, Regulatel, the organization of Latin American regulators, issued a joint declaration with the European Independent Regulators Group committing to exchange respective studies and to share methods for approaching the issue of mobile termination, including cost oriented accounting methodologies. Foro Latinoamericano de Entes Reguladores (Regulatel) and the Independent Regulators Group (IRG), December 3, 2003, Santo Domingo, Dominican Republic. In January 2005, the International Telecommunications Union began a project to survey mobile termination rates around the world. In response to suggestions from Malaysia and Japan, a group was established to collect and analyze data on mobile termination charges. The ITU study will include charging methodologies used, national regulatory decisions taken, and interconnection rates charged by mobile carriers and intermediary international operators, and will take into account differences between countries. Initial results are expected in the second half of 2006.

ITU Study Group 3, January 24-28, 2005 This study should provide important new information, including on the countries not yet covered in this record. As discussed below, the Commission should participate in efforts such as these, and continue to monitor regulatory and market trends, rather than intervening at this time and on this record.

3. There is no evidence of discrimination against U.S. customers. Several commenters noted that U.S.-originated calls to foreign mobile destinations amount to only a very small percentage of international calls – less than 5 percent. *See* CTIA Comments at 4, n. 9; Vodafone Comments at iii, 7; Western Wireless Comments at 2-3. Moreover, in most countries, internationally originated traffic represents a small proportion of total traffic terminated on mobile networks. *See* Vodafone Comments at 7. In other words, the vast majority of calls terminating on foreign mobile networks originate from the market in which the network itself operates. *Id.*

In all but a handful of countries, there is no distinction between mobile termination rates charged for calls that originate domestically and those that originate internationally. *See* Vodafone Comments at 9-10; CTIA Comments at 8; BellSouth Comments at 4. And in those countries where there is a distinction, calls that originate internationally may be treated more favorably than those that originate domestically. For example, the regulator in Finland has declined to regulate mobile termination rates for calls that originate from domestic fixed line phones, but has proposed to regulate termination rates for mobile-to-mobile calls and for international fixed-to-mobile calls. *See* Attachment B at 3. In Japan, termination rates for calls that originate outside of Japan are lower than those that originate within Japan. Vodafone

Comments at 8. No commenter provided any evidence that U.S.-originated calls are treated differently than other internationally-originated calls in any country.²

4. The Commission should work with foreign regulators and should monitor foreign mobile termination rates. Because a large majority of calls that terminate on a foreign mobile network originate within the country, consumers within that country absorb most of the increased call prices resulting from higher mobile termination rates. As a result, local regulators in foreign countries have a strong incentive to investigate and address the level of mobile termination charges, because it is their constituents who are most affected by excessively high rates.

By contrast, as explained above, only a very small percentage of calls to foreign mobile networks originate in the United States. As a result, efforts by the Commission to regulate rates that U.S. carriers can pay to foreign mobile carriers are unlikely to be effective, since foreign regulators are unlikely to alter their policies for such a small amount of traffic. Indeed, the Commission could end up harming U.S. customers, if foreign operators block U.S.-originated calls because U.S. carriers cannot agree to pay termination rates above certain levels.

The Commission could be more effective in this area by working with independent regulators in foreign countries, both in broad forums such as the ITU, and bilaterally with the regulator in particular countries if circumstances warrant. Where regulation is perceived to be needed, it is in the United States' interest to encourage independent foreign regulatory authorities to engage in appropriate oversight of activities within their own countries. Unilateral intervention by the Commission could undermine or weaken the authority of foreign regulators, particularly in less developed countries, whereas cooperative efforts are more likely to achieve

² Additionally, the issues raised regarding international mobile roaming rates are beyond the scope of this proceeding. See *INTUG Comments* (filed Dec. 2, 2004).

results, particularly in this area where interests of U.S. customers and domestic fixed-line customers are aligned.

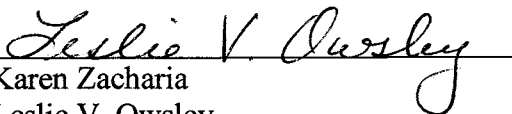
In addition, as Verizon suggested in its comments, the Commission should focus its efforts in this area on educating U.S. consumers. In a large majority of foreign countries, mobile phones have specific carrier codes or numbering schemes. As Sprint noted, in areas where calling party pays is prevalent, consumers calling from landline phones are generally aware that they are calling a mobile phone (and therefore subject to termination charges), based on differences in dialing codes. *See* Sprint Comments at 2. The FCC could help U.S. consumers become more informed by posting a list of such codes or numbering plans on its website.

* * * * *

Because termination rates to foreign mobile networks are declining and independent foreign regulators are actively overseeing termination rates, the Commission should not take action now to regulate foreign mobile termination rates. Instead the Commission should monitor these trends, and look at this area again in two years or so.

Respectfully submitted,

Michael E. Glover
Of Counsel


Karen Zacharia
Leslie V. Owsley
1515 North Courthouse Road
Suite 500
Arlington, Virginia 22201
(703) 351-3158

Attorneys for Verizon

February 14, 2005

ATTACHMENT A

THE VERIZON 214 LICENSEES

The Verizon 214 Licensees ("Verizon") are various subsidiaries of Verizon Communications Inc. holding international Section 214 authorizations. These are:

**Bell Atlantic Communications, Inc. (d/b/a Verizon Long Distance)
CODETEL International Communications Incorporated
GTE Pacifica Incorporated d/b/a Verizon Pacifica
NYNEX Long Distance Company (d/b/a Verizon Enterprise Solutions)
Verizon Global Solutions Inc.
Verizon Hawaii International Inc.
Verizon Select Service Inc.**

ATTACHMENT B

**FOREIGN REGULATORY FRAMEWORKS AND ACTIONS –
MOBILE TERMINATION RATES, FEBRUARY 2005**

COUNTRY	MOBILE PENETRATION RATE/ # OF OPERATORS	REGULATORY ACTIONS
Argentina	19.8% (2004) 4	<ul style="list-style-type: none"> • The Argentine regulator, Comision Nacional de Comunicaciones (CNC), sets price caps for fixed-to-mobile end user prices. The CNC determines a transition period for the price adjustment to reach CNC's objective tariff target. The CNC has always based its decisions to have price controls on the existence of significant market power (SMP). • Decree 764 of 2000 lowered access charges from the former US\$0.0215 per minute to US\$0.011 or US\$0.013 depending on whether the call terminated in an urban (more than 5K inhabitants) or rural center. • In 2002, the regulator rejected a fixed-to-mobile interconnection rate increase of 0.04 pesos from 0.31 pesos per minute to 0.35 pesos per minute.
Australia	78.7% (2004) 4	<ul style="list-style-type: none"> • The Australian regulator, the Australian Competition and Consumer Commission (ACCC) released its final decision on the market for mobile termination in June 2004. In its review, it proposed that all mobile network operators (MNOs) have market power and proposes a pricing principle that requires current mobile termination rates (MTRs) to fall from 21 Australian cents per minute to 12 Australian centers per minute by January 1, 2007. • Vodafone Australia is appealing the National Regulatory Authority's (NRA) Final Decision to the Federal Court of Australia. It is expected that the hearing will be in the first quarter of 2005. Vodafone Australia has also lodged a voluntary undertaking with the NRA that provides MTR cost information and proposed MTR reductions. The operator is proposing a MTR of A\$17.5 cents per minute. • In late December 2004, Optus submitted an undertaking to the ACCC outlining proposed mobile call termination rates of 19.25 cents for 2005, 18 cents for 2006 and 17 cents for 2007. Optus also offers the option for termination charged as a flat fee each quarter, based on the number of competitor customers, together with lower per minute rates of 14.25 cents in 2005, 13 cents in 2006 and 12 cents in 2007.
Austria	92.0% (2004) 6	<ul style="list-style-type: none"> • As a Member State of the European Union (EU), country is expected to implement the new EU Regulatory Framework for the communications sector and conduct a market review for voice call termination on individual mobile networks. • Pending the conclusion of formal market reviews, in May 2004, the Austrian regulator, TKK, released a statement signaling its intention to regulate call termination services and to forbear from imposing obligations for call origination services. The regulator stated that all currently active mobile telephony operators (Mobikom Austria AG & Co KG, T-Mobile Austria GmbH, One GmbH, Tele.ring Service GmbH and Hutchison 3G Austria GmbH) are considered to have SMP, on their respective markets for "termination in the individual mobile telephony network". • According to the regulator's current plan, mobile termination fees will be reduced to a standard fee of 0.095 euro (US\$0.1126) per call by 2010.
Belgium	77.8% (2004) 3	<ul style="list-style-type: none"> • As a Member State of the EU, country is expected to implement the new Regulatory Framework and conduct a market review for voice call termination on individual mobile networks. • Belgium transposed the European Commission (EC) regulatory framework on August 9, 2004. The Competition Directorate-General has determined that there is no single national call termination market, but three separate markets for Proximus, Mobistar and BASE. • The regulator sets call termination rates based on benchmarking of international rates and reference to the incumbent costs.

**FOREIGN REGULATORY FRAMEWORKS AND ACTIONS –
MOBILE TERMINATION RATES, FEBRUARY 2005**

Brazil	27.9% (2004) 7	<ul style="list-style-type: none"> Resolution 319 of 2002 states that for mobile-to-mobile calls, carriers will negotiate termination charges. Also, fixed-to-mobile call termination access charges are negotiated among operators. In April 2004, the Brazilian regulator, ANATEL announced plans to restructure Brazil's interconnection arrangements with the objective of reducing existing charges. The model—applicable to both fixed-line and wireless operators—is expected to be based on operators' costs, allowing different rates for each operator, and to distinguish between different types of interconnection. ANATEL has concluded a public consultation on interconnection tariff negotiation and is expected to set negotiation rules in February 2005. The regulator also plans to implement a full bill and keep interconnection model by July 2005.
Chile	42.5% (2004) 4	<ul style="list-style-type: none"> Has determined that some mobile operators have SMP on call termination charges in their networks and have established price caps for access charges for calls terminated in these networks. The Chilean regulator, SUBTEL published its mobile rates decree on January 21, 2004, authorizing a 26.5 percent reduction (over five years) of the interconnection rates mobile operators can charge for call termination on their networks, representing a reduction from 105.1 pesos (US\$0.13) per minute to 77.9 pesos per minute, declining to 76.4 pesos per minute in 2008. On April 12, 2004, the Chilean General Controller endorsed the tariff decrees for mobile interconnection tariffs and interconnection facilities of mobile telephony networks, applicable to the operators in this market. On April 14, 2004, the decrees were published in the Official Gazette. These decrees are applied retroactively to January 23, 2004, for mobile operators—except for Telefonica Movil, for which it is applied retroactively to February 12, 2004.
Colombia	13.7% (2004) 3	<ul style="list-style-type: none"> In July 2004, the government announced that it was considered imposing rate cuts for fixed-to-mobile tariffs.
Cyprus	76.9%(2004) 1	<ul style="list-style-type: none"> As a Member State of the EU, country is expected to implement the new Regulatory Framework for the communications sector and conduct a market review for voice call termination on individual mobile networks.
Czech Republic	98.3% (2004) 3	<ul style="list-style-type: none"> As a Member State of the EU, country is expected to implement the new EU Regulatory Framework for the communications sector and conduct a market review for voice call termination on individual mobile networks. In April 2004, the NRA announced planned reductions in the maximum interconnection charge for fixed-to-mobile calls from 3.66 (US\$0.13) Czech crowns to 3.19 Czech crowns.
Denmark	87.0% (2004) 4	<ul style="list-style-type: none"> As a Member State of the EU, country is expected to implement the new EU Regulatory Framework for the communications sector and conduct a market review for voice call termination on individual mobile networks.
Ecuador	20.6% (2004) 3	<ul style="list-style-type: none"> In June 2004, regulators proposed a draft amendment to congress seeking to impose interconnection rate reductions for both fixed-to-mobile and mobile-to-mobile services. The amendment also targets the abolition of end-user call charges before speaking begins. On August 24, 2004, Ecuadorian President Lucio Gutierrez announced that the fee for making a telephone call from a fixed-line network to wireless users will be slashed by a third to \$0.25 a minute from \$0.37/minute beginning October 1. A lower tariff of \$0.18 will be charged for calls made at night from fixed-line phones to wireless phones as part of the fees overhaul. In October 2004, fixed-line operator Andinatel reduced rates for fixed-to-mobile calls to US\$0.20 per minute plus tax, down 31.3% from the previous rate of US\$0.29. In December 2004, Andinatel requested intervention from the regulator, Senatel to set fixed-to-mobile interconnection rates following failure of the operator and mobile network operators to reach an agreement.
Estonia	81.6% (2004)	<ul style="list-style-type: none"> As a Member State of the EU, country is expected to implement the new EU Regulatory Framework for the communications sector and conduct a market review for voice call

**FOREIGN REGULATORY FRAMEWORKS AND ACTIONS –
MOBILE TERMINATION RATES, FEBRUARY 2005**

	2	termination on individual mobile networks.
Finland	92.0% (2004) 4	<ul style="list-style-type: none"> As a Member State of the EU, country is expected to implement the new EU Regulatory Framework for the communications sector and conduct a market review for voice call termination on individual mobile networks. Finland uses a regime called segment pricing for calls between fixed and mobile phones, wherein each operator sets a retail price for its own segment of a call, and wholesale termination charges no longer exist. As a result, Finnish fixed telephone bills show what proportion of the cost charged for each fixed-to-mobile call goes to the mobile operator. In 2004, the EC required Finland to introduce end-to-end pricing for fixed-to-mobile calls. A new Finnish law, which is expected to take effect in March 2005, will allow both segment and end-to-end pricing. The Finnish Regulatory Framework is expected to facilitate movement towards more justified mobile charge levels, which will enable benefits to consumers in terms of better prices and more competition at the retail level. In November 2003, the Finnish regulator, FICORA filed a mobile voice call termination market review with the EC which proposed to apply interconnection obligations, including publication of terms and conditions and tariffs on all MNOs. These remedies applied only to: <ul style="list-style-type: none"> Mobile-to-mobile calls. Incoming international calls to mobile network.
France	66.9.% (2004) 3	<ul style="list-style-type: none"> As a Member State of the EU, country is expected to implement the new EU Regulatory Framework for the communications sector and conduct a market review for voice call termination on individual mobile networks. France transposed the EC regulatory framework in July 2004. The French Regulator, ART, and the French Government have been critical in the past of high mobile charges and see virtual operators as a development that will help lower prices. On November 2, 2004, ART published its mobile call termination market review where it proposes to designate Orange France, SFR and Bouygues Telecom as having SMP in their individual call termination markets. All three operators will be subjected to a price cap resulting in a 36% decrease of wholesale prices over two years. For Orange and SFR, a two-stage reduction would see rates fall from 15 centimes a minute to 12-12.5 centimes, and then 10-10.5 centimes per minute. Bouygues current tariff of 18 centimes a minute would also be proportionately reduced. These rates must be approved by the EC before implementation. ON December 10, 2004, ART completed its analysis in Metropolitan France. In addition, on February 1, 2005, ART concluded its analysis of the wholesale market of mobile voice call termination in its overseas markets including Guadeloupe, Martinique, French Guyana, Reunion Island, and St. Pierre et Miquelon. The regulator designated all the relevant mobile network operators as having SMP in their relevant markets. The SMP designation applies to Bouygues Caraibe, Dauphin, Orange Caraibe, Orange Reunion, SMM, SPMT and SRR. Under a proposed price cap, the call termination costs on mobile networks charged by Orange Caraibe and SRR will be lowered 20% yearly between 2005 and 2007.
French Guyana		<ul style="list-style-type: none"> The French regulator, ART completed an analysis of its overseas departements. ART's analysis led it to declare as having SMP all the mobile operators present in the overseas departements (Orange Caraibe, SRR, Orange Reunion, Bouygues Telecom Caraibe, SMM, Dauphin Telecom and SPM Telecom) and to impose on them a number of obligations, including price caps.
Germany	78.5% (2004) 5	<ul style="list-style-type: none"> As a Member State of the EU, country is expected to implement the new EU Regulatory Framework for the communications sector and conduct a market review for voice call termination on individual mobile networks. GSM mobile network operator charges are not regulated in Germany and these operators are not obligated to gain regulatory approval for either end-user or interconnection charges. Nonetheless, the mobile termination charge published by the German regulator, RegTP includes a charge for transit across Deutsche Telekom's (DT) network. The transit charge portion is regulated based on international benchmarking.

**FOREIGN REGULATORY FRAMEWORKS AND ACTIONS –
MOBILE TERMINATION RATES, FEBRUARY 2005**

		<ul style="list-style-type: none"> In late June 2004, E-Plus, O2, T-Mobile and Vodafone announced an agreement with DT to lower fixed-to-mobile call termination charges in two phases –December 2004 and December 2005.
Greece	91.5% (2004) 4	<ul style="list-style-type: none"> As a Member State of the EU, country is expected to implement the new EU Regulatory Framework for the communications sector and conduct a market review for voice call termination on individual mobile networks. In its review of the market for voice call termination on individual mobile networks, the Greek regulator, National Telecommunications and Post Commission (EETT) has proposed that all mobile network operators comply with the following obligations: <ol style="list-style-type: none"> price control obligations (i.e., an obligation of cost orientation) for Cosmote, Telestet and Vodafone) fair and reasonable prices for Q-Telecom non-discrimination (including an obligation not to unjustifiably deny the termination of calls delivered to their respective networks through GSM gateways access to, and use of, specific network facilities transparency and a requirement to publish a reference interconnection offer From September 2004, mobile operators reduced their mobile termination rates. As of October 1, 2004, calls originating to a fixed network and terminating to Comsote and TIM's networks will charge 0.185 euros and 0.19 euros from 0.21 euros and 0.22 euros, respectively. The move followed Vodafone's decision to reduce fixed-to-mobile termination rates by 14.7% to 14.5 cents per minute.
Guadeloupe		<ul style="list-style-type: none"> The French regulator, ART completed an analysis of its overseas departements. ART's analysis led it to declare as having SMP all the mobile operators present in the overseas departements (Orange Caraibe, SRR, Orange Reunion, Bouygues Telecom Caraibe, SMM, Dauphin Telecom and SPM Telecom) and to impose on them a number of obligations, including price caps.
Hungary	76.1% (2004) 3	<ul style="list-style-type: none"> As a Member State of the EU, country is expected to implement the new EU Regulatory Framework for the communications sector and conduct a market review for voice call termination on individual mobile networks. In August 2004, the NRA determined that in its first analysis of the mobile market that all three GSM providers in Hungary including T-Mobile, Pannon GSM and Vodafone have SMP in the area of call termination. Beginning January 2005, Vodafone is required to determine its prices based on costs and submit prices for approval to the regulator. As a result, the regulator expects the reduction of termination fees to continue on the "glide path" started in 2004, as a consequence of decrees passed by the IT and Telecommunications Ministry and subsequently by the regulator. On November 22, 2004, the communications minister announced plans to gradually reduce fixed-to-mobile interconnection termination rates from 2005. In January 2005, the regulator announced the imposition of interconnection rate reductions for all operators, effective from June 2005. The regulator has set a 10% reduction of the current termination rates charged.
Ireland	85.7% (2004) 3	<ul style="list-style-type: none"> As a Member State of the EU, country is expected to implement the new EU Regulatory Framework for the communications sector and conduct a market review for voice call termination on individual mobile networks. Ireland transposed the EC regulatory framework in July 2003. On June 8, 2004, the Irish regulator, ComReg, concluded its review of mobile call termination markets, concluding that four operators: Vodafone, O2, Meteor and 3 should be designated with SMP in their own networks. ComReg believes that the most appropriate remedies for the relevant markets are likely to be obligations regarding: 1) access, 2) transparency, 3) non-discrimination, and 4) cost-orientation. Vodafone plans a 5 percent reduction to its average termination rates, while O2 plans an average termination rate reduction of CPI minus 8 percent in 2004.
Israel	99.9% (2004)	<ul style="list-style-type: none"> In Israel, pending proceedings are anticipated to result in rate reductions of approximately 50 percent.

**FOREIGN REGULATORY FRAMEWORKS AND ACTIONS –
MOBILE TERMINATION RATES, FEBRUARY 2005**

	3	<ul style="list-style-type: none"> On July 29, 2004, Israel's Minister of Communications, recommended reducing cellular operators' connectivity tariffs to 15 Israeli cents. In its notification to operators, the Ministry also outlined a planned reduction in termination charges received by cellular operators from an international operator from 0.25 NIS to a maximum rate of 0.151 NIS from January 2006. In late November 2004, the Communications Minister confirmed interconnection rate cuts from March 2005. For calls between mobile networks, the rate will be cut to 0.32 shekel per minute from 0.45 shekel, followed by further cuts in 2006 and 2007, with the regulator slating a rate of 0.22 shekel in 2008.
Italy	102.1% (2004) 4	<ul style="list-style-type: none"> As a Member State of the EU, country is expected to implement the new EU Regulatory Framework for the communications sector and conduct a market review for voice call termination on individual mobile networks. Italy transposed the EC regulatory framework in September 2003. In late January 2005, the Italian regulator, AGCOM published the results of its review of the mobile call termination market under delibera n. 465/04/CONS. The regulator found all four mobile network operators to have SMP but proposed to apply asymmetrical obligations in terms of rate cost-orientation obligations for the period of 2005 to 2007. For TIM and Vodafone rate reductions are imposed; a glide-path reduction schedule is set for the rates of WIND, while the regulator proposes to forbear from imposing cost-orientation on HG3. In addition, AGCOM proposes to apply to all four mobile operators: The non-discrimination principle to all four mobile operators, including application of the principle between internal divisions and associated companies of a single operator; and obligation of access to and use of network elements. Italy has seen mobile call termination rate reductions since February 2001, based on a price cap mechanism linked to retail prices.
Jamaica	65.0% (2004) 4	<ul style="list-style-type: none"> The Jamaican regulatory agency, Office of Utilities Regulation (OUR) released an "Assessment of Dominance in Mobile Call Termination" (Document No. Tel 2004-10). on September 2, 2004. The purpose of this document was to analyze dominance in markets for mobile call termination. In particular, the document addresses the mobile call termination interconnection markets for local fixed to mobile calls and mobile to mobile calls as well as the termination of international traffic on domestic mobile networks. In relation to mobile termination, OUR indicated that it would commission an independent telephone customer survey to test the validity of claims made by Mossel Jamaica Ltd. (Digicel) in relation to the definition of relevant market. This survey is in addition to an earlier survey completed in April 2003, which gave some information on the Jamaican telecom market.
Japan	64.4% (2004) 3	<ul style="list-style-type: none"> In March 2003, the Ministry of Public Management, Home Affairs, Posts, and Telecommunications (MPHPT) and Japanese mobile operators agreed to voluntary reductions of mobile termination rates for fixed-mobile calls, with provisions allowing NTT customers to "override" existing rates from March 2004. In October 2004, the MPHPT announced a review of mobile market competition, which is expected to be finalized by the end of March 2005.
Jordan	23.5% (2004) 3	<ul style="list-style-type: none"> In April 2002, Jordan Telecom asked for a reduction in call-termination charges to mobile networks. Its mobile arm, MobileCom, agreed to the reductions and Fastlink accused the two parties of cross-subsidization. In June 2003, the TRC released detailed pricing guidelines and set detailed rates for fixed-to-mobile, mobile-to-fixed and mobile-to-mobile interconnection for both domestic and international services.
Latvia	52.8% (2004) 2	<ul style="list-style-type: none"> As a Member State of the EU, country is expected to implement the new EU Regulatory Framework for the communications sector and conduct a market review for voice call termination on individual mobile networks.

**FOREIGN REGULATORY FRAMEWORKS AND ACTIONS –
MOBILE TERMINATION RATES, FEBRUARY 2005**

Lithuania	54.9% (2003) 3	<ul style="list-style-type: none"> As a Member State of the EU, country is expected to implement the new EU Regulatory Framework for the communications sector and conduct a market review for voice call termination on individual mobile networks.
Luxembourg	100+% (2005) 3	<ul style="list-style-type: none"> As a Member State of the EU, country is expected to implement the new EU Regulatory Framework for the communications sector and conduct a market review for voice call termination on individual mobile networks.
Malaysia	43.7% (2004) 3	<ul style="list-style-type: none"> In November 2000, the Centre of Asian Studies at the University of Hong Kong released a study entitled "Interconnection of Mobile to Fixed: The Case of Malaysia". This study looked at MTRs and made some comparative studies to the EU, etc. In January 2005, a Malaysia led effort was approved in International Telecommunication Union (ITU) Study Group 3 to initiate a global study of mobile termination rates, including regulatory action.
Malta	72,5% (2004) 2	<ul style="list-style-type: none"> As a Member State of the EU, country is expected to implement the new EU Regulatory Framework for the communications sector and conduct a market review for voice call termination on individual mobile networks. Vodafone Malta and Go Mobile are designated as dominant market power (DMP) operators in the mobile market and the telecommunications transport provider (TTP) market (August 2003). In December 2004, the Maltese regulator, MCA announced revised interconnection rates for Go Mobile, reduced from Lm 0.0850 to Lm 0.0580 and for Vodafone Malta, a rate reduction from Lm 0.0685 to Lm 0.0490. The rates are applicable retrospectively with effect from October 1, 2004.
Martinique		<ul style="list-style-type: none"> The French regulator, ART completed an analysis of its overseas departements. ART's analysis led it to declare as having SMP all the mobile operators present in the overseas departements (Orange Caraibe, SRR, Orange Reunion, Bouygues Telecom Caraibe, SMM, Dauphin Telecom and SPM Telecom) and to impose on them a number of obligations, including price caps.
Mexico	30.6% (2004) 4	<ul style="list-style-type: none"> The calling party pays (CPP) system only applies to local calls and not to domestic and international long-distance. The Mexican regulator, Cofetel plans to extend the CPP system to long-distance calls in March or April of 2005. In December 2004, Cofetel considered a possible reduction of the fixed-to-mobile interconnection rate by 20-30%. The regulator supported a proposed industry rate cut beginning January 1, 2005 to 2.25 pesos, further reducing to 2.03 pesos in 2006, and 1.82 in 2007. Cofetel ordered Telmex to reduce the rates it charges for fixed-to-mobile calls in accordance with that schedule and formula.
New Zealand	72.6% (2004) 3	<ul style="list-style-type: none"> The NRA has released an issues paper proposing regulation of mobile termination rates. A final report will be prepared by the NRA and is expected in April 2005. On October 18, 2004, the Commerce Commission released a draft determination on mobile termination rates, inviting comments by November 16, 2004. The Commission's draft recommendation is to designate termination of voice calls on a cellular mobile telephone network (which must not be a third-generation cellular mobile telephone network providing voice services). The Commission considers that the mobile network operators are subject to limited competition in the wholesale market for termination services on their respective networks. A reduction in mobile termination rates is likely to increase competition in the fixed-to-mobile market and result in a sustainable lowering of the retail price for fixed-to-mobile calls. The Commission indicates that with the imposition of cost-based pricing, the assumption is that the mobile termination rate would be reduced by regulation to 16 cpm as of July 2005, rather than by a staggered implementation of reductions in termination rates.
Nicaragua	8.1% (2004) 3	<ul style="list-style-type: none"> Regulator intervened lowering tariff by 48%. In May 2004, the regulator initiated a new round of interconnection charge review in TCN Bellsouth's cellular telephone network in order to bring prices in line with market rates and

**FOREIGN REGULATORY FRAMEWORKS AND ACTIONS –
MOBILE TERMINATION RATES, FEBRUARY 2005**

		prevailing regulations.
Nigeria	2.5% (2004) 4	<ul style="list-style-type: none"> Regulator introduced interconnection regulation in January 2004. Rates must be non-discriminatory and published. On December 2, 2003, the Nigerian regulator, NCC moved to set a new interconnection rate of N11.52 per minute for terminating calls on a mobile network and N5.52 per minute for terminating on a fixed network (Refer to NCC Interconnection Rate Determination issued December 2, 2003). The new rate was to be implemented in January 2004, although this time frame was extended to April 1, 2004. However, on March 30, 2004, the High Court ruled in favor of Econet in an interconnection case brought by the operator against the NCC and its jurisdiction to set interconnection rates. MTN is also challenging the interconnection rules by court appeal and argues that the new rates cannot be implemented until a court decision is rendered.
Norway	91.9% (2004) 4	<ul style="list-style-type: none"> The Norwegian regulator, Norwegian Post and Telecommunications Authority (NPT) issued a report on December 9, 2003 entitled “ Analysis of the market for access and call origination in the public mobile communications network.” This analysis contained the market analysis that the NPT carried out on what was considered to be the relevant market for access to and call origination in the public mobile communications network.
Pakistan	2.7% (2004) 6	<ul style="list-style-type: none"> With the introduction of CPP in 2000, following the failure of operators to conclude interconnection agreements, the Pakistani regulator, PTA, intervened to set fixed-to-mobile interconnection rates. The PTA set a maximum tariff of Rs.3.20 per minute with a mobile operator share of Rs.2.20 and a fixed-line operator share of Rs.1.00. In May 2003, the PTA released Determination Re Cellular Mobile Telephone Service under Calling Party Pays Regime that revised these rates Under Pakistan's Mobile Cellular Policy (2004), mobile interconnection termination charges will not exceed the existing level until cost-based rates are available for both fixed and mobile operators. PTA will set rates based upon its view of termination costs by existing operators.
Panama	27% (2003) 3	<ul style="list-style-type: none"> The Panamanian regulator, Ente Regulador de los Servicios Publicos has taken action to control mobile termination charges. It is expected as outlined in Cable & Wireless' comments that Cable & Wireless Panama will see a regulatory consultation on mobile termination within the next few years.
Paraguay	29.1% (2004) 4	<ul style="list-style-type: none"> In November 2003, the Paraguayan regulator, Conatel imposed a 15% rate cut on mobile-to-mobile interconnection fees, after hiring ITU experts to advise on regulatory changes. A Conatel ruling came into effect January 1, 2004, ordering an interim 15% reduction in interconnection fees to US\$0.18 per minute. Conatel cut the mobile-to-mobile interconnection cost by US\$0.03 to US\$0.18 per minute. The interconnection cost from fixed-to-mobile networks was maintained at US\$0.14 per minute. In March 2004, Conatel announced plans to set a single interconnection fee for fixed-to-fixed, fixed-to-mobile and mobile-to-mobile calls. The proposed change will also remove differences between the interconnection rate for calls to mobiles based on geographic or distance measures. In July 1, 2004, and January 2005, Conatel imposed further reductions in fixed-to-mobile and mobile-to-mobile interconnection rates.
Peru	10.0% (2004) 3	<ul style="list-style-type: none"> In November 2000, Peru's regulator, OSIPTEL, mandated interconnection rates for both fixed operators and mobile network operators. Under a capped, per-second call termination charge for fixed-to-mobile calls - the initial cap of US\$0.186 per minute was based on the benchmarking of call termination rates in 15 nations. The regulation applied to mobile network operators, PCS providers and trunked service providers. As of February 3, 2004, Peruvian mobile operators have reduced their fees for fixed-to-mobile calls, leading to a 9.44% average reduction in the consumer price for such calls. This is the second price reduction in a 30% adjustment process proposed by OSIPTEL, Peruvian telecom regulator in 2004. The process began with a 3.4% average reduction last August 2004 and the final stage will occur next August 2005. All operators have until February 15, 2005, to provide information about their costs which

**FOREIGN REGULATORY FRAMEWORKS AND ACTIONS –
MOBILE TERMINATION RATES, FEBRUARY 2005**

		OSIPTEL will use to set interconnection rates. OSIPTEL has proposed a mobile-to-fixed interconnection fee of US\$0.2053 a minute.
Poland	46.7% (end of 2003) 3	<ul style="list-style-type: none"> As a Member State of the EU, country is expected to implement the new EU Regulatory Framework for the communications sector and conduct a market review for voice call termination on individual mobile networks. In December 2002, the Polish regulator, URTip urged incumbent TPSA and mobile operators PTC and Polkomtel to reach an agreement over fixed-to-mobile interconnection charges. In December 2002, PTC signed an agreement on interconnection with TPSA covering calls originated in the TPSA network and terminated in the PTC network, as well as for calls originated in PTC network and terminated in TPSA's network. PTC and Tele2 entered into interconnection agreements in third quarter 2003. The regulator designated all three mobile operators as having SMP in the mobile telephony market. PTC has appealed this decision. An SMP operator is obliged to grant interconnection to its network on the request of any legally operating telecommunications operator in Poland if the necessary technical conditions are fulfilled. In 2004, TPSA submitted new fixed-to-mobile termination tariffs to the URTiP that reduce prices of standard connections between TPSA fixed lines and mobile telephones by 21.7%.
Portugal	99.2% (2004) 4	<ul style="list-style-type: none"> As a Member State of the EU, country is expected to implement the new EU Regulatory Framework for the communications sector and conduct a market review for voice call termination on individual mobile networks. On December 23, 2004, ANACOM registered its market review notification with the EC, whereby the regulator designated the three mobile network operators (Optimus, TMN and Vodafone) as having SMP in the mobile call termination market. According to the regulator, this market covers all mobile termination types, namely, fixed-to-mobile termination, mobile-to-mobile termination and international-to-mobile termination. The regulator proposed to apply the following remedies to the operators: <ul style="list-style-type: none"> Meet reasonable requests for access Obligation of non-discrimination in access and interconnection Transparency in the publication of information Accounting separation Obligation of price control and cost accounting On December 27, 2004, ANACOM ordered the three mobile network operators to lower their fixed-to-mobile tariffs on a quarterly basis from March 2005 with tariffs set to reduce to 0.11 euro in October 2006. Optimus is obliged to reduce its rate from 0.2779 euro to 0.205 euro in March 2005. TMN and Vodafone are obliged to decrease their tariffs to 0.14 euro down from 0.185 euro. Beginning July 2005 further cuts will reduce rates to 0.195 euro for Optimus, and 0.135 euro for TMN and Vodafone, with rates set to decrease again in October 2005 to 0.182 euro for Optimus and 0.13 euro for TMN and Vodafone. ANACOM previously set call termination rates based on benchmarking of international rates, and January 2002, requiring a four-step reduction of the fixed to mobile termination .
Reunion Island		<ul style="list-style-type: none"> The French regulator, ART completed an analysis of its overseas departements. ART's analysis led it to declare as having SMP all the mobile operators present in the overseas departements (Orange Caraibe, SRR, Orange Reunion, Bouygues Telecom Caraibe, SMM, Dauphin Telecom and SPM Telecom) and to impose on them a number of obligations, including price caps.
Romania	25% (2003) 4	<ul style="list-style-type: none"> In December 2003, the Romanian regulator, ANRC, submitted the draft decisions on the amendment of the ANRC President's Decision no.123/2003 and no.124/2003 on the interconnection with the public mobile telephony network operated by S.C. Mobifon S.A. and S.C. Orange Romania S.A. for the purpose of call termination for public consultation. These decisions imposed a reduction of the maximum tariff charged for call termination on the mobile networks of the operators to US\$0.10 per minute starting January 1, 2004.

**FOREIGN REGULATORY FRAMEWORKS AND ACTIONS –
MOBILE TERMINATION RATES, FEBRUARY 2005**

Slovakia	70.8% (end of 2003) 2	<ul style="list-style-type: none"> As a Member State of the EU, country is expected to implement the new EU Regulatory Framework for the communications sector and conduct a market review for voice call termination on individual mobile networks.
Slovenia	92.1% (end of 2003) 2	<ul style="list-style-type: none"> As a Member State of the EU, country is expected to implement the new EU Regulatory Framework for the communications sector and conduct a market review for voice call termination on individual mobile networks.
South Africa	41.0% (2004) 3	<ul style="list-style-type: none"> Under supplementary interconnection guidelines issued in 2002 (ICASA Government Gazette General Notice 1494 of 2002), provisions are made for symmetrical termination charges for national long-distance services provided by USALs. This applies to termination on PSTN and mobile networks. Under the rules, Vodacom and MTN are designated as "major operators of essential facilities in the mobile cellular telecommunications service market." The termination charges between the USALs and mobile network operators are to be symmetrical and not exceed current call termination charges to the mobile network operators. Under Government Gazette General Notice 971 of 2003, ICASA is considering a request from Cell C to include Vodacom and MTN in the category of major operator based on their market share of at least 35 percent of the defined telecommunications market. SMP obligations only apply to MNOs in relation to dealings with underserved licensees. No MNO operator has been declared SMP. Wholesale pricing limitations applicable to mobile network operators are cost reporting (and cost-based wholesale pricing), non-discrimination, transparency and accounting separation. These rules do not apply to mobile network operators that have not been declared major operators with control over essential facilities.
South Korea	69.9% (2003) 3	<ul style="list-style-type: none"> In April 2002, the Korean regulator, Ministry of Information and Communication (MIC), mandated reductions in incumbent mobile operator SK Telecom's interconnection charges for calls from cellular mobile operators LG Telecom and KTF. The MIC also prescribed a reduction in mobile-to-mobile termination rates for the two competing mobile operators but at lower rates than those imposed on SK Telecom. In 2002, SK lowered its rates by 8.3% and cut mobile prices by a further 7.3% from January 2003. In July 2004, the MIC set interconnection rates for both fixed-line and wireless operators, based on a LRIC bottom-up cost model. Under the scheme, operators SK Telecom, LG Telecom, and KT Freetel were ordered to reduce their rates. In 2005, these rates will be reduced further, including a 7.8% reduction from September 2004, in SK Telecom's fixed-to-mobile call termination rates The government sets interconnection rates fees every two years.
Spain	93.1% (2004) 4	<ul style="list-style-type: none"> As a Member State of the EU, country is expected to implement the new EU Regulatory Framework for the communications sector and conduct a market review for voice call termination on individual mobile networks. Spain transposed the EC regulatory framework in November 2003. The Spanish regulator, Comision del Mercado de las Telecomunicaciones (CMT), initiated its review of the wholesale mobile call origination market in April 2004. In July 2002, the regulator ordered reductions of 17.13% in the interconnection rates of Telefonica Moviles and Vodafone. Rate reductions were not imposed on the third GSM operator—Amena. In October 2003, CMT ordered further reductions on mobile call termination rates for both carriers by 7% each and of a third carrier, Retevision Movil by 12%. In October 2004, CMT required mobile termination rates charged by Vodafone Spain to be reduced by 10.5%. The regulator also required Telefonica Moviles to reduce the fees it charges by 12%. Amena was ordered to cut interconnection fees by 15.5%. Telefonica

**FOREIGN REGULATORY FRAMEWORKS AND ACTIONS –
MOBILE TERMINATION RATES, FEBRUARY 2005**

		<p>announced implementation of the rate cut on October 27, 2004.</p> <ul style="list-style-type: none"> • CMT is continuing its investigation of alleged price squeezing against Vodafone Spain, Telefonica Moviles and Amena.
St. Pierre et Miquelon		<ul style="list-style-type: none"> • The French regulator, ART completed an analysis of its overseas departements. ART's analysis led it to declare as having SMP all the mobile operators present in the overseas departements (Orange Caraibe, SRR, Orange Reunion, Bouygues Telecom Caraibe, SMM, Dauphin Telecom and SPM Telecom) and to impose on them a number of obligations, including price caps.
Sweden	95.5% (2004) 15	<ul style="list-style-type: none"> • As a Member State of the EU, country is expected to implement the new EU Regulatory Framework for the communications sector and conduct a market review for voice call termination on individual mobile networks. • Sweden's law transposing the EC framework was effective in July 2003. • In respect of all five operators, the Swedish regulator, Post and Telestyrelsen (PTS) intends to impose: <ul style="list-style-type: none"> • A requirement to provide network access on reasonable request and interconnection obligation; • Obligations relating to transparency; and • An obligation not to unduly discriminate in the provision of such access. • Moreover, with respect to TeliaSonera, Tele2 and Vodafone, PTS intends to impose: <ul style="list-style-type: none"> • An accounting separation obligation • A control of charges and cost orientation obligation. • Finally, in respect of Hi3G/3 and Djice, PTS intends to impose: <ul style="list-style-type: none"> • An accounting separation obligation – to provide PTS upon request with specified cost and revenues for interconnection services, including internal prices • An obligation to apply a fair and reasonable price. • On October 20, 2004, PTS ordered mobile operators to reduce charges.
Switzerland	83.9% (2004) 3	<ul style="list-style-type: none"> • The Swiss Telecoms Act imposes an obligation to offer interconnection services such as mobile termination based on cost-orientation. A request for regulator intervention would begin with a complaint before the Swiss Federal Communications Commission (ComCom). Up to now, no complaint has been filed regarding mobile termination so therefore, there are no cases regarding mobile termination pending before ComCom. • The Swiss Competition Commission (WEKO) launched an investigation in 2002 to examine allegations concerning mobile call termination by the nation's three mobile operators. A report is expected in Spring 2005.
Tanzania	3-4% (2004) 5	<ul style="list-style-type: none"> • On June 30, 2004, the Tanzanian regulator, TCRA released its latest interconnection determination with rates effective from August 1, 2004. • Mobile call termination charges will be progressively reduced for four years from 10 US cents (August 1, 2004), to 8.9 US cents (January 1, 2005), 7.9 US cents (January 1, 2006) and 6.9 US cents (January 1, 2007) for cellular phone operators.
The Netherlands	84.3% (2004) 6	<ul style="list-style-type: none"> • As a Member State of the EU, country is expected to implement the new EU Regulatory Framework for the communications sector and conduct a market review for voice call termination on individual mobile networks. • A new Telecommunications Act, transposing EC law, became effective May 19, 2004. • In August 2002, a report issued by the Netherlands competition authority (NMa) declared that the nation's five mobile telephone operators (KPN Mobile, Vodafone, Dutchtone, Ben, O2) have individually dominant positions on their mobile telephone networks in relation to the call termination. In 2002, the Dutch regulator, OPTA determined that all mobile operators have a monopoly on their own network and charge termination tariffs, which are above costs. • In July 2002, OPTA published new guidelines on interconnection tariffs and ordered significant reductions in these tariffs as of December 2002 and April 2003. On November 29, 2002, the court suspended OPTA's decisions to lower interconnection tariffs. • In December 2003, OPTA published a document regarding its policy on mobile termination tariffs. This notification was published in response to a proposal issued by the major mobile network operators in the Netherlands. These operators took the initiative to

**FOREIGN REGULATORY FRAMEWORKS AND ACTIONS –
MOBILE TERMINATION RATES, FEBRUARY 2005**

		<p>propose a phased reduction in interconnection tariffs for traffic terminating on their mobile networks. The reduction is spread over a three-year period, and introduces the concept of a flat rate interconnection tariff. In its notification, OPTA accepted this proposal and commented that such a commitment is in the interest of users and promotes sustainable competition in the market.</p> <ul style="list-style-type: none"> • In December 2003, OPTA ordered a further cut in fixed-to-mobile rates over the next 2 years. • On December 4, 2003, KPN Mobile, Orange, T-Mobile, Telfort, Vodafone and Tele2 informed the NMa and OPTA of their intention to reduce the tariffs for terminating traffic on a mobile network as of January 1, 2004; December 1, 2004; and December 1, 2005.
United Kingdom	93.7% (2004) 6	<ul style="list-style-type: none"> • As a Member State of the EU, country is expected to implement the new EU Regulatory Framework for the communications sector and conduct a market review for voice call termination on individual mobile networks. • On May 15, 2003, Oftel published the consultation document entitled "Review of Mobile Wholesale Call Termination Markets," followed in December 2003 by the release of a consultation document, "Wholesale Mobile Voice Call Termination Proposals for the Identification and Analysis of Markets, Determination of Market Power and Setting of SMP Conditions Explanatory Statement and Notification." Oftel's position is summarized as follows: Vodafone, O2, Orange and T-Mobile to provide wholesale mobile voice call termination services to PECN operators. • OFCOM's SMP conditions also include a requirement for O2, Orange, T-Mobile and Vodafone to meet controls for the charges set for 2G voice call termination for two periods (September 1, 2004 to March 31, 2005 and April 1, 2005 to March 31, 2006). These requirements include controls for termination of fixed-to-mobile calls and off-net mobile-to-mobile calls. • The Competition Commission released its findings in January 2003, recommending the designation of mobile call termination as a separate market for the purposes of competition assessment. The Commission recommended a rate cut of RPI-15% in 2003, followed by three further reductions per subsequent year of RPI-15% (RPI-14% for Orange and T-Mobile). Following appeal of the Commission decision, on June 27, 2003, the United Kingdom's High Court upheld the findings of the Competition Commission. • In April 2003, Oftel required the four MNOs to cut their charges by 15% by July 25, 2003, followed by reductions of approximately 13% in subsequent years.

Sources: Telegeography research, foreign regulators' websites, Yankee Group Global Wireless Interconnect Regulatory Dashboard, World Markets Research Centre (WMRC) (now Global Insight), and the FCC NOI record.